

Message Text

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PAGE 01 BONN 04447 111727Z

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /101 W
-----120646Z 127765 /22

R 111718Z MAR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6430

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS BONN 04447

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: BUNDESBANK REOPENS SPECIAL REDISCOUNT
FACILITY

REF: BONN 3878; BONN 3199

1. EFFECTIVE MARCH 10 THE BUNDESBANK IS TEMPORARILY
MAKING AVAILABLE TO THE GERMAN BANKING SYSTEM A
SPECIAL REDISCOUNT FACILITY WHICH WILL ENABLE BANKS
TO BORROW FROM THE BUNDESBANK IN EXCESS OF THEIR
NORMAL REDISCOUNT QUOTAS. UNDER THE ARRANGEMENT
THE BUNDESBANK WILL PURCHASE AND HOLD BILLS FROM
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BANKS FOR A PERIOD OF 20 DAYS. THE DISCOUNT RATE
CHARGED IS 4 PERCENT VERSUS THE 3.5 PERCENT RATE
NORMALLY CHARGED ON REDISCOUNT BORROWINGS. HOW LONG
THE BUNDESBANK WILL CONTINUE TO PURCHASE BILLS UNDER
THE SPECIAL FACILITY HAS NOT BEEN DISCLOSED. THE
LAST TIME THE BUNDESBANK MADE THIS OFFER WAS IN
AUTUMN 1975 (OCT 21-DEC 1). AT THAT TIME, BILLS WERE

PURCHASED AND HELD FOR 10 DAYS AT A DISCOUNT RATE OF
3 1/2 PERCENT; THE THEN PREVAILING REDISCOUNT RATE.

2. THE BUNDESBANK APPARENTLY MADE ITS OFFER TO ASSIST
BANKS THROUGH THE LIQUIDITY SQUEEZE EXPECTED TO RESULT
FROM THE MAJOR MID-MARCH TAX DATE. SO FAR IN MARCH,
CALL MONEY HAS REMAINED AT AROUND THE 4 1/2 PERCENT
LOMBARD RATE--DESPITE THE DM 2.5 BILLION REDISCOUNT
QUOTA INCREASE EFFECTIVE MARCH 3 (SEE BONN 3878) AND
THE FACT THAT BANKS' RESERVE REQUIREMENTS IN MARCH
MAY BE DM 1.0 BILLION LOWER DUE TO A REVISION OF THE
MINIMUM RESERVE CALCULATION SYSTEM (SEE BONN 3199).
STOESSEL

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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Sent Date: 11-Mar-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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